



WISCONSIN

DEPARTMENT OF WORKFORCE DEVELOPMENT
Division of Workforce Solutions
Bureau of Partner Services

TO: **Economic Support Supervisors
Economic Support Lead Workers
Training Staff
Child Care Coordinators
W-2 Agencies**

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No.: **02-36**

File: **2730 2731**

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Non W-2 ☒ W-2 ☐ CC ☐

PRIORITY: **High**

SUBJECT: **Life Insurance Funded Burial Contract (LIFBC) Policy for EBD
Medicaid**

CROSS REFERENCE: *MA Handbook, 11.5.3, 11.5.3.1, 11.5.3.2, 11.5.4, 11.5.5, 14.13.2*

EFFECTIVE DATE: Immediately

PURPOSE:

This memo clarifies the Department of Health and Family Services' Life Insurance Funded Burial Contract (LIFBC) policy for Elderly, Blind, and Disabled (EBD) Medicaid (MA).

BACKGROUND:

A life insurance funded burial contract (LIFBC) is a life insurance policy that a person purchases on his/her own life and assigns, revocably or irrevocably, either the proceeds or ownership of the policy to a third party, generally a funeral provider. The purpose of the assignment is to fund a burial contract. A burial contract that is funded with a life insurance policy must be in writing and contain all of the following:

- Name of the funeral home and the insurer.
- Statement of funeral goods and services.
- Effect of canceling or surrendering the insurance policy.
- Effect of changing the assignment of the policy proceeds.
- Nature and extent of any price guarantees for goods and services.
- To whom excess funds will revert. Death benefits, which exceed the actual costs of burial expenses, must be paid to the insured individual's estate or beneficiary.

When the LIFBC material was updated in the 02-01 MA handbook release, there was some confusion regarding the amount that should be considered as divested for irrevocably assigned LIFBCs and the amount that is considered a countable asset for revocable LIFBCs.

POLICY

Irrevocable assignment of LIFBC

Use the policy as described in MA Handbook 11.5.3.1 for determining the portion of the LIFBC that is a divested amount. Below are two examples that will be appearing in the MA Handbook release 02-03, and should clarify the policy for the portion that is considered the divested amount.

Example. Mr. Atkins has irrevocably assigned the ownership of his life insurance policy to a funeral home to fund a burial contract. The face value and the cash surrender value (CSV) of the LIFBC is \$3,000. The Statement of Funeral Goods and Services shows \$3,000 for the pre-arrangement of the funeral, of which \$1,300 is designated for a casket and \$1,700 for funeral expenses (services and cash advances for such things as flowers and the obituary). The \$1,700 funeral expense portion reduces the \$1,500 burial fund exclusion (11.5.5), and so \$1,500 of this LIFBC will be considered his exempt burial fund. The \$1,300 casket does not reduce the burial fund exclusion (11.5.5) and is not a countable asset because it is a purchase of a burial space.

Because the LIFBC was assigned irrevocably, determine if Mr. Atkins is receiving other goods or services at fair market value for the remaining \$200 designated for funeral expenses. If he is not receiving goods or services at fair market value, consider the remaining \$200 divestment (14.13.2).

Example. Mr. Atkins has irrevocably assigned the ownership of his life insurance policy to a funeral home to fund a burial contract. The face value and the cash value of the LIFBC is \$3,200. The Statement of Funeral Goods and Services shows \$3,000 for the pre-arrangement of the funeral. A divestment in the amount of \$200 occurred, because the cash value of the LIFBC exceeds the expenses of the pre-arrangement of the funeral.

Any portion of an irrevocably assigned LIFBC for which no goods and services are received at fair market value is the divested amount.

Revocable assignment of LIFBC

Use the policy as described in MA Handbook 11.5.3.2 for determining the portion of the revocable LIFBC that is a countable asset. Below are two examples that will be appearing in the MA Handbook release 02-03, and should clarify the policy for the portion that is considered a countable asset.

Example. Mrs. White has a revocably assigned LIFBC and no other burial assets or life insurance policies. The face value of the LIFBC is \$3,000 and the CSV is \$1,700. The total value of the LIFBC is equal to the CSV of \$1,700.

The burial contract designates \$1,300 for a casket and \$1,700 for funeral expenses. The burial space exclusion (11.5.4) does not apply to Mrs. White's contract, but \$1,500 of the CSV is exempt under the burial funds exclusion (11.5.5). The remaining \$200 of the CSV is a countable asset.

Example. Mrs. White has a revocably assigned LIFBC. She additionally has a burial plot already paid for and a whole life insurance policy with a face value of \$1,500 and cash surrender value (CSV) of \$1,000. The face value of the LIFBC is \$3,000 and the CSV is \$1,700. The total value of the LIFBC is equal to the CSV of \$1,700.

The burial contract designates \$1,300 for a casket and \$1,700 for funeral expenses. The burial space exclusion (11.5.4) does not apply to Mrs. White's contract. No portion of the CSV is exempt under the burial funds exclusion (11.5.5), because the face value of her whole life insurance policy is \$1,500. This offsets any other burial fund exclusion. The burial plot is exempt, because it is paid for. The entire value of the LIFBC (\$1,700) is a countable asset.

OTHER PROGRAMS:

There is no impact on food stamps, W-2, Child Care, or Caretaker Supplement.

FORMS OR INFORMATIONAL MATERIALS:

MA Handbook release 02-03 includes some revisions to this policy in 11.5.3.

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Note: Email contacts are preferred. Thank you.